

REPORT OF
JOINT COMMITTEE
SURVEYING THE NEEDS
OF THE SOUTH CAROLINA
STATE DEVELOPMENT BOARD

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I. PREFACE

The Committee created under Senate Resolution 63,, adopted on February 4, 1959, by the Senate and House of Representatives of South Carolina to "survey immediately the needs of the State Development Board and report back its findings and recommendations to this General Assembly no later than March 15, 1959," respectfully makes this, its report, in accordance with the terms of the Resolution. Filing of the report was delayed briefly to permit the Committee to complete its investigation and to coordinate its report with recommendations of the Governor.

Your Committee, composed of three members each from the House of Representatives and the Senate, recognized at the outset that "industrial development of the State of South Carolina is the primary concern of the 93rd General Assembly."

The Committee has undertaken to examine as exhaustively as possible in the time allotted the State's relative position in the field of industrial expansion and to study the resources and methods utilized to attract reputable, compatible industry into the State.

The Committee began its study with an analysis of the personnel and operation of the present Development Board. Numerous conferences were held with the Director and individual staff members. The Director submitted written recommendations which proved helpful to the Committee.

A conference was also held with the five members of the Development Board. Each of the members presented his views on how the function of the Department could be improved.

The Committee next began a series of conferences and interviews with industrialists, bankers, representatives of utilities, educators, and business and civic leaders, some of whom are directly concerned with industrial development and all of whom are interested in seeing South Carolina grow industrially. Approximately fifty such persons conferred with the Committee and many other persons were contacted on an informal basis and gave helpful information and advice which was of material assistance to the Committee.

In addition, a public hearing was held to which was invited representatives of local development organizations and Chambers of Com-

merce. The information gathered at this meeting was of especial value to the Committee in determining what problems exist on the local level.

The Committee studied in some detail the organization of State Development Boards and programs in other states, particularly in the South. Information was obtained about the structure, personnel, appropriations and general effectiveness of organizations in other states charged with the responsibility of industrial development in those states.

The Committee was impressed with the methods used and the apparent success of the Arkansas Industrial Development Commission to the extent that the Committee spent two days in Arkansas making a personal study and appraisal of the program, which proved most beneficial.

The Committee recognized at the outset that the securing of industry is a problem of many facets, the least of which is the necessity of developing a program to attract desirable industries. It was the Committee's concept that our industrial development program should be such as to provide investments for our economy and employment for our native people. The mere securing of industry for industry's sake should not be the goal of our program. Rather, at the risk of losing marginal industries, we should so direct our efforts and screen our prospects as to insure that the industrial development program will not adversely affect the way of life which we now enjoy in South Carolina.

The possible value and necessity of this study is further indicated by the Committee's early conclusion that the South today is standing on the verge of a period of unparalleled economic expansion.

The forecasters of economic trends are predicting that the march of industrial investments into the Southeast will not only continue unabated but grow significantly larger during the next decade and a half. The Committee feels that such predictions are fully justified and this report and the Committee's recommendations are based in considerable part on this basic premise.

After considering these economic trends, members of the Committee have concluded unequivocally that a considerable expansion of our economic base in South Carolina is vital to the financial future of our State. The necessity of broadening our economic base through the location in our State of desirable new industries is recognized by all of the industrialists, leaders in government and thinking citizens

who have analyzed the various factors which go into making up a sound economy for the State and a stable, progressive government for the people.

In short, we cannot afford as a State government or as a people to be by-passed by the tremendous volume of dollar investments which are now being and which are contemplated to be made in the South by the industries and businesses of the nation. We must, in fact, do everything we can to attract reputable, compatible industrial investments which will provide increased payrolls for our people and additional State and local tax sources.

In general terms, the recommendations set forth in this report are based on two simple but irrefutable facts of economic life: (1) A more productive economy in our State will result in a higher per capita income for our citizens and consequently more prosperity for all; (2) A broadening of our State and local tax basis will ease the burden of both individuals and industry whose tax dollars now support the functions and services of government.

In the opinion of the Committee, it would be foolhardy not to make every effort to expand our economy, thereby furnishing new sources of tax revenue as well as increasing the income of our State. The result of indifference toward attracting new industry and encouraging the expansion of our existing industrial pursuits would be calamitous for State, county and municipal governments as well as for the people as a whole. It is a well established fact that a State's economy will not remain stationary. If it is not expanding, it will decrease. A decrease or "drying up" of the economy will mean the levying of more and more taxes upon industry and people already heavily burdened with the support of governmental services.

We feel the wiser course is to promote the full but orderly growth of our economy by investing as sensibly as we can our dollars and our talents to attract and keep stable investments in our State.

To this end, the Committee is making certain broad recommendations based on an examination of where we stand in the field of industrial competition and what we should do to enhance our financial development.

In making these recommendations, the Committee is aware that the expansion of our economy will entail the assumption of certain basic responsibilities. If we are to grow industrially, we must commit ourselves to an increasing program of improving those assets which are most attractive to industry and we must constantly communicate to

the industrial community of the nation that South Carolinians are capable, willing, and enthusiastic people who offer a genuine welcome to those industrialists and businessmen who wish to become our partners in seeking mutual economic fulfillment for industry and for the State.

The Committee wishes to acknowledge with sincere gratitude the cooperation of many persons and organizations without whose aid and assistance the Committee's work could not have possibly been accomplished. Many loyal South Carolina citizens gave generously of their time and effort in assisting the Committee in studying various phases of the many problems, and for their thoughts and help the Committee is grateful. We are especially indebted to Governor Orval Faubus and the Arkansas Industrial Development Commission whose hospitality and assistance in allowing us to make a thorough study of their State's Industrial Development Program was of material value to the Committee.

Among the many out-of-State persons who contributed generously of their time and at their own expense came to confer with the Committee we want to note Mr. Lewis Bishop, former Director of the Development Board, now Senior Vice-President of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina; Mr. Warren White, Assistant Vice-President, Seaboard Airline Railroad, Richmond, Virginia and Mr. Robert J. Saunders, Vice-President of the Ludlow Manufacturing Company, Needham Heights, Massachusetts.

The Committee worked very closely with Governor Hollings and members of his Staff whose interest and cooperation materially contributed to the Committee's work.

II. WHERE WE STAND

Before the Committee could determine what steps, if any, should be taken to strengthen our program of industrial development, we felt it necessary to determine where we stood as a State, both in terms of total current industrial investments and in the competitive field of industrial expansion.

To understand our relative position in the current total investment of dollars, we must consider the investments by industry in our neighboring Southeastern states. These states are our competitors in the race for industrial investments, and we are engaged with them in the same kind of basic competition which pits one retail merchant

against another. The ultimate victor in this competition will be the State which can offer the best merchandise to the industrial investor, and offer it to him through a sound, aggressive sales program.

The Committee is firmly convinced that South Carolina offers a superior product to the industrial buyer. As a State, we are blessed with a wealth of industrial assets, both tangible and intangible. Above everything else, we possess the sound business climate which industrialists unanimously say is the single most important inducement to migrating capital. South Carolina has had fewer business failures, fewer removals, and fewer vacant industrial buildings than practically any State in the union.

If we fully develop our industrial potentialities and then merchandise them to the industrial community, we have no reason to be concerned about the competitive challenge of our sister states. The combination of a solid program of internal development and external sales will bring us great economic rewards, and insure our rightful relative position among the States of the South.

In assessing our current position in the industrial development picture, it is easy to be misled and to be lulled into a sense of complacency. When we speak of industrial investments, we are speaking in terms of millions and hundreds of millions of dollars. Even the least among the Southeastern states can calculate its annual industrial growth in terms of millions of dollars.

To determine the effectiveness of our present program we must assess our relative position in comparison with the states which are our competitors. The real question is: "Are we receiving the share of investments which we should expect and need?" The Committee has concluded that we are not today receiving the relative share of new industry that we should and that South Carolina, after an excellent start in the race for industrial dollars, is beginning to lag somewhat behind our competitors.

We will attempt to illustrate this problem by comparing our economic strides with those of several representative states which we can fairly consider competitors for the industrial dollar.

It will be noted in the comparative table below that during 1958, the South Carolina State Development Board reports that we gained \$128,000,000 in capital investments for new industrial plants and the expansion of existing industries. That investment, according to the State Development Board report, accounted for 6,625 new jobs and \$19,000,000 in additional payrolls.

We have balanced this report against the investments reported in three other states: North Carolina, Alabama and Oklahoma. While not strictly speaking a Southeastern state, Oklahoma is a serious competitor for industrial investments. At the same time, these three states offered a reasonably balanced picture of how South Carolina is faring in the industrial competition. One of the listed competitors is an immediate neighbor, one is a more distance deep South state and the other lies on what is commonly referred to as the Southern Borderland.

Of course, it must be kept in mind that South Carolina has less population than any of the states being compared but the Committee did feel that the disparity in dollar investments would provide some indication of the potential which we have in South Carolina regardless of lack of population.

As can be seen by the table, North Carolina's reported 1958 investments by new investors and existing industries which expanded established operations amounted to \$253,074,000 or almost twice the amount reported in our State. Significant in these figures is the number of new job opportunities created in North Carolina where the Development agency reported a concurrent increase of 21,757 industrial positions, more than three times the number of new jobs created in South Carolina while North Carolina's population is less than double that of South Carolina.

In Alabama, the development agency chose to break down its figures into two categories, the amount of money actually invested in new and expanded plants during 1958 and the amount involved in the announced intentions of industrial leaders to locate or expand plants in the State. The actual investment listed by Alabama, \$190,000,000, outstripped the South Carolina total by about \$62,000,000.

The Oklahoma investment in new and expanded industries during 1958 is reckoned at about \$230,600,000, or almost twice as great as the investment in South Carolina during the same period.

There is an additional point of significance here if the Oklahoma statistics are compared with those released in North Carolina where the reported dollar investment was comparable. Actually, North Carolina claimed about \$23,000,000 more than Oklahoma in the dollar category. Yet, the number of new and expanded plants involved in the North Carolina investment was six times greater than the number reported in Oklahoma. This fact leads the Committee to

believe that North Carolina has concentrated its campaign on the attraction of light industry while Oklahoma's development efforts are directed toward heavy industry.

As can be seen from the statistical tables, seven of the 78 plants located in Oklahoma during the year accounted for \$103,650,000 of the total investment. The immediate availability of certain basic raw resources like oil and natural gas in Oklahoma would tend to account for heavy industry's movement into that State.

Auto Design and Engineering	2,000,000
Painted Metal Containers	2,500,000
Calley Chemicals	2,000,000
First State	2,000,000
Sun Oil Company	2,500,000
Total of 78 Plants	103,650,000
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Local Chemical Company	2,000,000
Continental Tanning Company	2,000,000
Read Roll Tearing Company	2,000,000
D-X Sulfur Refinery	2,000,000
Kew-McCormick Oil Company	2,000,000
Total of 78 Plants	103,650,000

The following companies were located in Oklahoma during 1936 and where we show the amount of investment in dollars and cents. To present a clear picture of where we stand in comparison with other states, we have from a comparison made in a recent report of the United States Department of Commerce. We have shown a list of states and the amount of investment in dollars and cents. It is only one of them, the growth of investment in Oklahoma during 1936 and the increase in the dollar value of investment in Oklahoma during 1936. South Carolina even showed the average of \$1,000,000. It is, however, plain, that Oklahoma has a growing effect on the investment in the South. The competition for new capital which is flowing into the South.

REPORTED INDUSTRIAL INVESTMENTS

Calendar Year—1958

	<i>South Carolina</i>	<i>North Carolina *</i>	<i>Alabama **</i>	<i>Oklahoma</i>
Total Investment	\$ 128,000,000	\$ 253,074,000	\$ 299,298,000	\$ 230,600,000
New Plants	\$ 112,000,000	.....	.....	50
Expansions	\$ 16,000,000	.....	.....	28
No. New Plants and Expansions..	.....	423	.....	78
No. New Jobs	6,625	21,757	5,500	.....
Increase in Payrolls	\$ 19,000,000	\$ 67,633,000	.....	.....
Actual Investment .....	.....	.....	\$ 190,000,000	.....
Announced Investment .....	.....	.....	\$ 109,298,000	.....

* In N. C. metalworking industries led investments with total expenditures of \$67,155,000.

** Alabama reported plants established during year in 41 of State's total of 67 counties.

REPORTED INDUSTRIAL INVESTMENTS

Calendar Year—1958—(Continued)

Breakdown of Major Investments in Oklahoma

(New)

Dewey Portland Cement	\$ 12,000,000
Western Electric	35,000,000
Aero Design and Engineering	6,650,000
Fansteel Metallurgical Corp.	6,500,000
Callery Chemical Company	38,000,000
Flint Steel Company	2,000,000
Sun Oil Company	3,500,000
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Total of <i>Seven</i> Investments	\$ 103,650,000

(Expansions)

Ideal Cement Company	\$ 20,000,000
Continental Baking Company	1,000,000
Reed Roller Bearing Company	25,000,000
D-X Sunray Refinery	12,000,000
Kerr-McGee Oil Company	5,000,000
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Total of <i>Five</i> Expansion Investments	\$ 63,000,000

The foregoing comparisons give a graphic picture of what happened during 1958 and where we stood as a State in the competitive race for new industrial capital. To present a clear, concise picture of where we stand in long-range competition, we quote from a comparison made in a recent report of the United States Department of Commerce. We have chosen to include comparisons in seven vital phases of economic growth. It will be noted that in only two of them, the growth of large manufacturing establishments and the increase in the dollar value of world trade, does South Carolina even exceed the average of the seven Southeastern states listed. It is, however, pleasing to note that in almost every category we surpass the national average, but a comparison with our neighboring states has a sobering effect when we recognize that they are our chief competitors for new capital which is flowing into the South.

SUMMARY OF EXPANSIONS IN SOUTHEASTERN ECONOMY
SINCE WORLD WAR II

Value Added by Manufacture
(Millions of Dollars)

	1947	1956	% Change
UNITED STATES	74,342	145,103	+ 95
Alabama	877	1,642	+ 87
Florida	350	1,169	+ 234
Georgia	1,016	2,144	+ 111
Mississippi	302	606	+ 101
North Carolina	1,646	2,824	+ 71
<i>South Carolina</i>	794	1,447	+ 82
Tennessee	961	2,111	+ 120
Total S. E.	5,947	11,942	+ 101

Source: Census and Survey of Manufactures, Bureau of Census.

Manufacturing Employment
(Thousands)

	1947	1956	% Change
UNITED STATES	15,555.0	17,178.3	+ 10
Alabama	225.5	232.8	+ 3
Florida	81.8	143.7	+ 76
Georgia	252.0	336.9	+ 34
Mississippi	92.9	101.9	+ 10
North Carolina	371.7	473.1	+ 27
<i>South Carolina</i>	191.8	224.7	+ 17
Tennessee	249.9	287.5	+ 15
Total S. E.	1,465.6	1,800.6	+ 23

Source: Census and Survey of Manufactures, Bureau of Census.

Manufacturing Establishments

(Number)

	1946	1956	% Change
UNITED STATES	229,094	288,299	+ 26
Alabama	3,025	4,111	+ 36
Florida	3,039	5,357	+ 76
Georgia	4,419	6,179	+ 40
Mississippi	2,414	2,452	+ 1
North Carolina	4,905	7,235	+ 47
<i>South Carolina</i>	2,059	2,859	+ 39
Tennessee	3,384	4,458	+ 32
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Total S. E.	23,245	32,651	+ 40

Source: County Business Patterns, 1946 and 1956.

Large Manufacturing Establishments

(500 or more Employees)

	1946	1956	% Change
UNITED STATES	4,208	5,305	+ 26
Alabama	73	89	+ 22
Florida	28	37	+ 32
Georgia	81	118	+ 46
Mississippi	19	26	+ 37
North Carolina	139	160	+ 15
<i>South Carolina</i>	89	117	+ 31
Tennessee	77	96	+ 25
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Total S. E.	506	643	+ 27

Source: County Business Patterns, 1946 and 1956.

The increase in world trade through our State ports by an estimated 67% per cent between 1946 and 1957 made South Carolina (and many its seaports) the fastest growing State in the Southeast in this category. We submit that these increases have been achieved through the investment of both energy and money in an aggressive

Expenditures for New Plant and Equipment
(Thousands of Dollars)

	1947	1956	% Change
UNITED STATES	6,003,873	11,234,581	+ 87
Alabama	72,362	239,451	+ 231
Florida	50,052	117,004	+ 134
Georgia	84,320	232,016	+ 175
Mississippi	22,713	35,006	+ 54
North Carolina	137,583	194,539	+ 41
South Carolina	61,743	101,970	+ 65
Tennessee	83,792	203,681	+ 143
Total S. E.	512,565	1,123,667	+ 119

Source: Census and Survey of Manufactures, Bureau of Census.

Manufacturing Payrolls
(Millions of Dollars)

	1946	1956	% Change
UNITED STATES	36,476	77,059	+ 111
Alabama	383	829	+ 116
Florida	188	500	+ 166
Georgia	457	1,054	+ 131
Mississippi	140	291	+ 108
North Carolina	674	1,448	+ 115
South Carolina	319	711	+ 123
Tennessee	486	1,056	+ 117
Total S. E.	2,647	5,889	+ 122

Value of World Trade Through Customs Districts
(Millions of Dollars)

	1946	1957	% Change
UNITED STATES	14,531.6	33,746.5	+ 132
North Carolina	82.3	121.4	+ 47
<i>South Carolina</i>	27.7	213.7	+ 671
Georgia	116.5	201.3	+ 73
Florida	247.9	792.7	+ 220
Mobile	130.5	287.5	+ 120
New Orleans	797.1	2,150.3	+ 170
Total S. E.	1,402.0	3,766.9	+ 169

1. Both Exports and Imports.

Source: Bureau of the Census, Monthly Foreign Trade Reports.

Per Capita Personal Income
(Dollars)

	1947	1957	% Change
UNITED STATES	1,316	2,027	+ 54
Alabama	794	1,324	+ 67
Florida	1,143	1,836	+ 61
Georgia	884	1,431	+ 62
Mississippi	662	958	+ 45
North Carolina	894	1,317	+ 47
<i>South Carolina</i>	779	1,180	+ 51
Tennessee	876	1,383	+ 58
Average for S. E.	870	1,388	+ 59

Source: Office of Business Economics, U. S. Dept. of Commerce.

The increase in world trade through our State ports by an astounding 671 per cent between 1946 and 1957 made South Carolina (and hence its seaports) the fastest growing State in the Southeast in this category. We submit that these increases have been achieved through the investment of both energy and money in an aggressive

program of seaport expansion and promotion. This statistic should be ample proof of the wisdom of the State's investing \$21,000,000 in an expansion of the Ports' facilities two years ago. The committee feels that a similar type investment in both effort and dollars in strengthening the overall economy of our State is fully warranted by the experience of our Port Development Program.

Per capita income frequently is frowned upon as an accurate measure of the total economy of a Southern state. The relative increases and decreases of per capita income, however, are excellent gauges of how our economy is progressing. South Carolina made significant strides in increasing its per capita income from a low point of 28 per cent of the national average in 1933 to a high of 63 per cent in 1953. South Carolina has failed to make any real gain since 1953 in per capita income and has, in fact, begun to slip behind the national average. Since 1953, South Carolina has actually declined to 58 per cent of the national average from its high point of 63 per cent.

When the programs of industrial development engaged in by the Southeastern states are analyzed, one immediately discovers a striking corollary. The states which outstripped South Carolina in industrial investments also outspent her in their attempts to attract industry into their states.

Florida, the fastest growing industrial state in the Southeast, is also its biggest spender in terms of dollars devoted to the promotion of industry and tourist trade. The Florida Development Commission, alone, pumped \$1,200,000 into external promotion aimed at attracting industries and tourists during 1957-58. The Florida expenditure for advertising and promotion was more than twice the size of South Carolina's total appropriation for development work. The Florida funds listed here do not include other millions marshalled for promotion by cities like Miami, Daytona Beach, Tampa, Jacksonville and St. Petersburg, nor does it include the money invested in promotion by major Florida business interests such as the citrus growers. All of this money, while much of it was directed at selling specific towns or products like oranges, was directed at a central theme: *i.e.*, the health, vitality and good qualities offered by the State of Florida.

In the following table, it can be seen that South Carolina devoted far less money in 1957-58 to the external promotion of its tourist and industrial assets than any of the competing states of Florida, Georgia, North Carolina, Tennessee or Virginia. As these figures are com-

pared, it will be noted that some of these states are devoting a major share of their advertising and promotion budgets to the attraction of tourists. This fact could lead to an erroneous conclusion unless one considers that tourist advertising and industrial prospect advertising are in the Seaboard area of the nation indissolubly locked together in their impact on the industrial consumer. More and more today, industrialists are seeking sites in areas where the peripheral benefits of good climate and recreation will create a beneficial atmosphere for their workers. For this reason, advertising executives say that the advertised tangible benefits of recreation have almost as much impact on the industrial consumer as advertisements directed strictly toward their consumption. Additionally, the promotion of travel in the State can have the effect of leading men into the State who like what they see as tourists and decide, as industrialists, to situate a plant in South Carolina. Florida is today reaping in an industrial way the fruits of years of tourist and travel promotion.

Advertising Expenditures by States for Industrial Promotion
1957-58

Florida	\$400,000
Georgia	126,000
North Carolina	150,000
South Carolina	104,000
Tennessee	200,000
Virginia	450,000*

For Tourist Promotion

Florida	\$800,000
Georgia	80,000
North Carolina	225,000
South Carolina	35,350
Tennessee	300,000
Virginia	450,000*

* Includes both industrial and tourist expenditures.

From the foregoing summary and analysis, the Committee might with some justification conclude that a "cure all" recommendation would be that the annual appropriation for advertising and promotion be doubled or trebled. Such an assumption would not only be fallacious, but in our judgment an unwise recommendation as a

step even approximating a solution. It would be a fallable step even if the funds in that amount were available, a fact which your committee well knows does not exist this year.

We, thus, are faced with a problem and it is this: We must find methods by which we can make our dollars and our ideas go further toward the goal of attracting industry. We must, like an out-manned and outequipped army, win our battles by dint of superior planning and superior tactics. With good planning, the judicious use of a modest additional appropriation to strengthen our Development Team, the welding of our State into a coordinated campaign for industry and an orderly reorganization of our development program, the Committee is convinced that we can compete effectively with our rivals without over-extending our lines of fiscal supply.

III. WHAT SPECIFIC PROBLEMS FACE US

The Committee, in its attempt to discover and analyze specific problems as they tend to affect our industrial development program found it necessary to divided our study into five phases, each phase dealing with a group or classification vital to the program. These groups include (1) The Governor; (2) The State Development Board; (3) The development program as it is now constituted on the local level including county and city development boards and Chambers of Commerce; (4) The people of the State and (5) The General Assembly.

Suggestions and recommendations made in each of these categories are not to be considered as critical of existing or past policies or methods of operation. Rather, it is the purpose and intent of this report to offer constructive help to all groups and persons interested in the attainment of our common goal and specific comments and recommendations will, we hope, be received in that spirit.

We shall begin our examination first with the Governor.

A. *The Governor*

The key figure in an expanded program of industrial development is the Governor. The Development Board is an arm of the Executive Branch of the government and as such is directly responsible to the Chief Executive.

As noted in the preface to this report, Governor Hollings has expressed keen interest in the work of the Committee and has along with his Staff given invaluable assistance and cooperation to our

group. It is his announced intention and program to make an all out effort to attract desirable industry to our State. Immediately after his nomination last summer, he commenced a program of personal visits to industrialists in all sections of the country. The Committee unanimously feels that given the proper working staff and the support of the General Assembly and the people, Governor Hollings will succeed and that our State will enjoy the greatest industrial expansion and development in its history.

Our Committee feels that the Governor can and will give impetus to the program in many ways, including the following:

(1) As Chief Executive he can function better than anyone else as the State's chief salesman. The prestige of the office of Governor will open industrial doors and make ears attentive that would otherwise be completely closed. We endorse Governor Hollings' plans to travel extensively in the quest for new industry. We believe that such efforts will be of far more benefit to the State than fulfilling many of the traditional functions of the office such as the making of speeches and the crowning of queens.

(2) The Governor can mobilize businessmen and industrialists into an effective team of citizen-salesman. The more volunteer manpower and brainpower, properly channeled, that is available to us, the more effective will be our development program. Using the prestige and facilities of his office, we respectfully suggest that the Governor seek information and suggestions from all citizens interested in the development program and that some informal organization be made which will insure a continuing interest and participation in the program. We recognize that the time of the Governor is limited and the demands of the office great, therefore we commend his designation of an industrial secretary to assist in the industrial development effort.

(3) We suggest that the Governor's office with the help of the Development Board attempt to coordinate the advertising program of private groups such as banks, utilities and tourist-promotion groups to insure a maximum benefit to the State from their respective programs.

B. The Development Board

Since its founding and the official beginning of its work in 1945, the State Development Board (originally known as the Research, Planning and Development Board) has done an outstanding job in the attraction of new industry to South Carolina as well as in developing and utilizing our natural resources. The success of the Board is

best shown by the fact that in the fourteen years since its creation, approximately 145,000 new jobs have been created to help our citizens bridge the economic gap and weather the hardships of a change from a basic agricultural to a more balanced industrial economy. Had it not been for the foresight and ability of the Board in anticipating this change, the economic hardships that would have fallen on our State and its people would be difficult to imagine.

Tangible evidence of the Board's success is seen from the fact that the total industrial investment in South Carolina increased from \$500,000,000 in 1945 to \$1,500,000,000. today.

Working within a limited budget at all times, and in a field where there was little or no precedent, the success of the State Development Board can only be attributed to high calibre of representation on the Board and a competent, dedicated staff.

It was a source of pride and pleasure to the Board to see that R. M. Cooper, the Board's first as well as its present Director, is recognized as one of the pioneers in the field of industrial development whose wise counsel and outstanding leadership have been of benefit not only to South Carolina but to the entire South.

The Committee recognizes, however, that the increasing competition for industry from other states demands that the organization, personnel and staff of the present Development Board be expanded and fortified in order that full advantage be taken of our State's opportunity to capitalize on the present industrial expansion in the South.

The Board's present membership consists of five (5) persons appointed by the Governor with the advice and consent of the Senate. The Board's function as presently constituted is entirely policymaking. Individual members of the Board do not concern themselves with where in South Carolina a new industry is to be located, and contrary to some popular belief exert no influence over sites of new industry. Their primary responsibility is the selection of a Director and the establishment of general policy under which the development program of the State is conducted.

The Committee considered carefully the question of whether the membership on the Board should be increased. Present members of the Board were unanimous in their recommendation that there be an increase in the number of persons on the Board. This recommendation was concurred in by all other persons with whom the Committee discussed this question.

The chief value of an expansion in the Board's membership would be three-fold: (1) Every area of the State would be insured representation on the policy-making level; (2) Increased membership would bring into the development program more business minds and talents; and (3) Such a move will promote closer liaison between the Board and localities in the State.

It is the Committee's judgment that an increase in membership to allow one representative from each Judicial Circuit plus a Chairman to be designated at large would best serve the interests of the State. The possibility of such a Board being somewhat unwieldy because of its size is, in the Committee's judgment, outweighed by the advantages inherent in the increased membership as above outlined.

There is today a need for more internal services, additional skilled personnel within the Staff and especially for better liaison between the Board, its Staff and the Legislature as well as between the Board and the local development agencies of the State.

While the Committee does not wish to encroach upon either the policy-making or the administrative prerogatives of the Board, we respectfully suggest and recommend that the following additional personnel and services be added to the present staff and functions of the Board and that the General Assembly provide sufficient funds therefor:

(1) That at least four additional executive staff members be employed in the capacity of industrial engineers or as we might colloquially term them "Salesmen of and for South Carolina". At least one of these persons should be a senior industrial engineer with training and background in management as well as industrial development.

These additional personnel should immediately familiarize themselves with the industrial potentials of the various areas of the State and be prepared along with present staff members to "Sell South Carolina To Industry". Some consideration might well be given to dividing the State into geographic areas and having one industrial engineer assigned especially to each such area in order that comprehensive coverage of the entire State be assured.

(2) Creation of a division within the Development Board Staff to act as liaison between the State development level and the local development groups. The Committee believes that an effective program of state-local liaison would have at least two highly desirable effects: (a) It would permit local development leaders to become quickly informed on the latest sales and promotion techniques. (b) It would

weld the State and its localities into a close-knit campaign for new industry. The Committee further suggests that this program of liaison might begin with a series of industrial development seminars sponsored for the benefit of local development leaders by the State Development Board.

The major effort of the Development Board in the past has been directed toward the attraction of new industries into the State. Largely, because of shortages of funds and personnel, there has been no formal liaison group within the present Board. The increasing enthusiasm of people throughout the State for industrial development is reflected in a mounting number of local development organizations, thereby making essential liaison and coordination **from the State level** which will insure a maximum utilization of the enthusiastic effort which is presently apparent throughout the State.

Because of an almost total absence of communication and liaison between State and local agencies, a great deal of criticism, mostly unjustified, has been directed at the work of the State Board. Whether justified or not, the criticism and lack of trust which exists on many local levels is a deterrent to orderly industrial development of the State. For a successful industrial program, both State and local agencies must work harmoniously toward the common goal of expanding South Carolina's economy. A harmonious, coordinated effort can be obtained with an effective program of communication, liaison and mutual assistance. The State Development Board and the localities of the State each have an important function in the attraction of new industry, and less than complete cooperation cannot be afforded at this crucial time in the State's industrial development.

(3) Establishment of a Division of internal development within the Staff of the State Development Board. The Committee feels this division could concentrate an effective campaign directed toward helping existing industry solve financial, marketing and production problems. The Committee believes such a division, for instance, could offer valuable assistance in the development of undeveloped agricultural potentials by concentrating effort on the attraction of agriculture-related industry.

Mr. Cooper and his Staff have long recognized that the expansion of existing industry, including the extension of established plants and the construction of new ones by industries already operating in the State, is as important to the economy as the attraction of new investors. The Committee believes it could be said that the expansion

of existing industry is more important than the attraction of the new for two reasons: In the first place, the expansion of an established manufacturer strengthens his economic position and, thus, strengthens the economic position of the State. In the second place, the expansion of an existing plant is a renewed expression of faith in South Carolina and its people. As such an expression of faith, it is our finest sales point. It is the translation into industrial prospect sales of that classic automobile manufacturer's slogan, "Ask the Man Who Owns One."

The Committee feels that a primary obligation in expanding our industrial capacity is to provide active assistance to existing industry by helping them to develop further South Carolina resources and solve any problems which might stand in the path of expansion. Other states are carrying out this kind of program, and it is necessary and desirable for us to do the same.

In a discussion of expanding industry, the fact that agriculture remains one of our largest and strongest industrial fields is too often overlooked. Agriculture continues to provide a substantial part of the total value of South Carolina's dollar resources. The Committee feels the State has not made sufficient effort to assist our agricultural industry to solve the problems created first by the sharp decline of the "row crop" farm economy, and secondly by the false allure of the soil bank.

Farming plays a substantial role in South Carolina's economy, and it will continue to be an important part of the State's economy no matter how highly industrialized the State becomes, especially if proper planning, guidance and opportunity is furnished farmers of the State. For example, the farm products of South Carolina travel to markets outside our borders largely in their natural state. In addition, we import quantities of these same products in their finished or processed stage for local consumption. Development of a food processing and marketing program would be of inestimable value in providing farmers with a steady, more profitable market as well as provide additional employment for those engaged in the mechanics of the processing procedures.

C. The Local Level

This report has recognized a basic lack of communication in many instances between the State Development Board and local development groups. The responsibility for overcoming this deficiency is by no means that of the State group alone and it cannot be completely

overcome until local groups at least acquiesce in the recognition of a State-wide concept of industrial expansion. This need for cooperation applies as strongly in the relationship between the counties and towns as it does to the working accord between the local levels and the State.

It is inevitable that competition will exist among our towns and counties in the attraction of industry to the State. It exists today to the point where there are frequent contradictions in sales approach, and these contradictions are not conducive to planned, orderly development. Contradictions tend to confuse the prospect and drive him away.

It is not the intention of this Committee to argue against the feeling of genuine competitiveness because it is this sort of feeling which builds pride in a community and, thus, promotes the uplifting of the community itself. We suggest only this: That while every man is proud of his own town and county and while he obviously wants the locating industry to come to his locality, the product we are all selling primarily is South Carolina. Any major industry which locates a plant in the State is contributing something to every resident of the State by strengthening the total economy. Every industry which comes to the State, for instance, is spreading the tax base and contributing to a lessening of the burden of those of us who already are here.

In selling industry on a local level, one must first sell that industry on South Carolina and this can be done best by presenting a united, harmonious front in the campaign to attract new wealth. We must fully appreciate our own assets and the assets of our neighbors and then be of one mind in offering these assets to the industrial prospect.

In many cases, we have not fully developed the local services which industry is seeking. Important county and municipal services such as processed water, sewerage facilities, recreation programs and air strips are missing from many of our localities.

In addition, few South Carolina localities have begun to take formal action toward the orderly development of their cities and counties. Proper zoning programs are almost non-existent in the State; and little thought is being given to the pre-planning of industrial sites beyond the mere selection of a tract of land which would be immediately attractive to the manufacturer.

Although legislation now exists allowing the creation of county planning boards, few counties have effective, functioning Boards.

Planning Boards have two distinct purposes; (1) To protect the community from helter-skelter industrialization, and (2) To insure industry against the growth of unsavory living conditions for its employees.

The undesirable by-products of poor planning in the great industrial areas of the east and mid-west are responsible in some measure for industry's decision to move South. We must act now to avoid creating in South Carolina the same unpleasant conditions such as slums, choked streets and sordid neighborhoods which industry finds so undesirable in the North. There is a practical, economic reason for planning and acting now. By so doing, we will avoid the future costs of demolition and urban rehabilitation for which cities like Chicago, Detroit and New York are paying dearly.

Industry ordinarily will locate in communities which are ready for industrial development. Most communities are not fully prepared for new industry. The Committee suggests that communities meet the challenge of preparation through the following suggested program:

1. Work to improve community facilities and services, not only those serving industry operations such as gas, water, sewer, power, but also the general community appearance, cultural, recreational and educational facilities.

2. Generate greater interest and participation in the community activities which create a sound local business climate.

3. Conduct a program to aid existing industry to prosper and expand through greater understanding for and appreciation of its problems, its needs and its role in the community's economy.

4. Unify efforts through the local community development organization and utilize local leaders who are intimately familiar with the local resources. There should be continuity of personnel among those responsible for the planned industrial development program.

5. Select good industrial sites and plan industrial areas with adequate facilities and zoning to preserve the integrity of these areas.

6. Promote greater understanding among the citizens of the complexities of industrial development such as the competition we face, what industry looks for in a community, the time factor in industry acquisition and the wisdom of seeking only sound industry.

7. Develop and maintain a cordial community attitude toward new industry; also a greater understanding for and appreciation of existing industry, its problems, and its role in the community's economy.

8. Greater coordination with the State Development Board on external advertising and selling in order to achieve the maximum effort.

9. Acquire and maintain current basic data on the area, determining community assets as well as limitations and liabilities. Learn thoroughly the community's resources and be prepared to present the information factually and objectively.

D. South Carolinians at Large

Every individual, business and industry in South Carolina has a stake in our economic progress. Each of us will profit by a general strengthening of the economy and a broadening of the tax base of the State, counties and municipalities.

This profiting by growth will accrue as much to industry, the old established firms and the new industrial investors, as it will to the individual wage earner and taxpayer. Progressive industrialists recognize this economic truth and they are willing and anxious to help the State help itself.

There still, of course, exists some reluctance on the part of a few business and industrial operators who oppose the influx of new plants because they feel it will diminish the labor pool and raise the cost of labor. The Committee is glad to report that most plant owners do not agree with this point of view.

The attitude of forward looking industrial leaders was capsuled by one witness, an industrialist, who said this:

"There was a time when my company opposed industrial expansion in our community because of certain problems, like labor supply, which develop when a new plant moves in. But we have come to realize that the benefits of a broadened tax base far outweigh the relatively minor problems and inconveniences we have to contend with."

Projected from this progressive attitude is a genuine willingness to promote the cause of industrial growth. The point here is that the State has not taken full advantage of this potential aid. On the State Development Board level and in the community, we need the advice of our business and industrial leaders—the men who know best what industry is looking for and how we can best go about satisfying investor prospects.

In our external sales program, we need these men to help us tell the South Carolina story. Their expressed pleasure as satisfied indus-

trial residents of the State is worth the equivalent of millions of dollars of promotion and advertising.

E. The General Assembly

We possess in South Carolina certain distinctly good governmental qualities which make up what has come to be called a "Good Business Climate." Basically, the phrase "good business climate" defines very real, and yet intangible, qualities which are just as important to industry as sites, raw materials and markets.

To say that we have a "good business climate" means that we have willing, industrious people who will give an employer a day's work for a day's pay. It means that these workers are largely untouched by disruptive influences which often tend to slow down production. It means they are independent, satisfied people.

From these people in South Carolina has sprung a stable, conservative government which is unmarked by the radicalism and turmoil which exists in some other states. We have in South Carolina an impressive history of orderly self-government, and we have consistently demonstrated a complete willingness to cooperate with reputable, compatible business and industrial interests. We have cooperated and will continue wholeheartedly to cooperate because we believe as a state and people in the American free enterprise system. The continued health of stable, progressive business, in fact, is the key to our whole economic and political system and the American way of life. Without healthy business interests, there would be no free enterprise system and, as a result, no democratic government.

The protection and promulgation of our business climate lies to the greatest extent with the General Assembly of South Carolina. It is upon the basic fabric of State law and policy that the business climate rests.

As Legislators, we recognized this fact last year when without one dissenting vote we revised the system by which the taxes of foreign corporations are assessed. This move, made only after a careful review by an outstanding committee, was aimed at promulgating fairness in our tax system and not simply at giving the industrialist a break. The old system was a detriment both to industry and the State. We recognized that shortcoming and corrected it.

The Committee feels that the South Carolina General Assembly must adopt a continuing policy of evaluating our laws and policies to determine those areas where the business climate can be further im-

proved. Such a continual process of re-examination would encompass our tax system and all statutes and statements of policy affecting the orderly conduct of business within the State.

Matters which we feel merit attention now fall into several categories including property tax assessments, financial assistance to new industry, research and education, additional funds to implement the Committee's recommendations and finally a formal statement of legislative policy toward industry.

1. Property Tax Assessments

Attention should be given, on a statewide basis, to promoting more uniformity in the methods by which we assess property. Although the State Tax Commission has the power to assess the property of industry, the existence of a profusion of conflicting assessment systems on the county level tends in cases of abnormally low local assessments to make industry bear a disproportionate share of the tax burden and consequently seriously discourages new industries.

2. Financial Assistance to New Industries

Financing of industrial buildings, we learned, is frequently the key to attracting smaller industries. The Committee feels that serious attention should be given to developing some uniform method by which local development corporations can lend money to smaller industries which have been properly screened. The lease-back system of plant and office building construction is becoming more and more prevalent among business and industry in the United States.

We should encourage the financing work of the new Business Development Corporation, but the economic scope of this organization is limited. Elsewhere in the South, a number of different systems of plant financing are being employed, but some of these schemes would not be attractive to either our government or our people.

We do not believe, for example, that the State's credit should be pledged to provide capital for private business, although some States have done this through the issuance of general obligation State bonds to construct buildings for industries on a lease-back basis.

The Committee studied many aspects of the financing plans used in other States including permissive legislation allowing pension and trust funds to be invested in mortgage bonds to provide capital for industrial buildings. We have been assisted by the banking industry in our attempts to assess the value and validity of such plans.

We recommend that this Committee be permitted to continue its study of the problems inherent in providing sufficient capital for our industrial development program and that a more detailed report on this important phase be presented to the 1960 General Assembly.

We recommend as a first step the passage of permissive legislation which will allow local groups to form non-profit, private corporations for the purpose of raising money to assist in financing industrial buildings in local communities.

3. Research and Education

Basic to the concept of any successful long range program of industrial development is the necessity of a continuous program of research and education. The responsibility for providing the legislative authorization for such a program is on the General Assembly.

Research should be divided into two major fields: (1) Technical-scientific and (2) Economic. Some effort in both fields is now being made through the Development Board working in conjunction with Clemson and the University of South Carolina, and the results of the relatively minor efforts now being made convinced the Committee of the urgent need and justification of a much greater and more planned effort.

The Committee is not prepared at this time to recommend a plan which will insure a proper research program in technical and scientific fields. Such a plan should be developed only after careful study of our existing facilities, the programs of other states and consultation with leading educators of this and other states.

The Committee recommends that it be allowed to continue its study on the problem of research in the technical and scientific fields and submit a report and recommendations to the 1960 General Assembly.

With respect to research in the economic field, the Committee notes with approval the work of the Bureau of Business and Economic Research at the University of South Carolina and feels that the expansion of the work of that agency and a closer identification of it with the State Development Board will be an adequate beginning answer to the need for research in this field.

The Committee further recognizes the value and need for additional trade and vocational education in our secondary school program.

An excellent job is being done in training our young people for jobs in industry, but an increase in our industrial development pro-

gram will require a corresponding increase in the demand for skilled, trained labor. We recommend that the economic research group and the Development Board work in close liaison with our Vocational Education Program in order that information, guidance, and direction be furnished that program so that it will produce the skilled labor which is the heart of a successful industrial expansion program.

4. *The Cost*

To carry out the recommendations with respect to personnel and services, it will, of course, be necessary to appropriate additional funds for the Development Board. The Committee recognizes the fiscal dilemma of the General Assembly and approves the general "hold the line" policy which has been apparent when additional expenditures are proposed.

Your Committee feels strongly, however, that an additional appropriation for development purposes is no more than an investment in South Carolina's future and an investment which will pay for itself many times over in the additional wealth which will accrue to the State from the success of the contemplated program.

Since much of the program is still in its formative stage and since exact estimates of expenditures cannot be had, the Committee recommends that an additional sum of \$100,000 be appropriated for the State Development Board for the fiscal year 1958-59 and to be expended by the Board with the approval of the Budget and Control Board. This sum should be sufficient to pay the cost of the increased personnel and services recommended in this report.

We also recommend that the Development Board be authorized to pay from this appropriation actual, necessary expenses of its representatives when traveling outside the State on official business. The present per diem rates are not adequate.

We recommend that the Board be authorized to secure an airplane for use of the Governor and the Board, as such means of transportation is essential to the development program.

5. *Statement of Policy*

We recommend that the General Assembly adopt forthwith an appropriate resolution in the form of a statement of policy to include an invitation to desirable industries seeking new locations to consider our State and a pledge to maintain in South Carolina the kind of stable, conservative government under which business can grow and prosper.

Such a resolution would, in the Committee's judgment, give official recognition and support to the "Good Business Climate" now existing in South Carolina.

IV. SUMMARY

The findings and conclusions of the Committee, therefore, can be stated briefly as follows:

- (1) South Carolina should be getting a greater share of new industry and business investments than we are now securing; and
- (2) That it is essential to our future prosperity and well-being to secure compatible and desirable new industries and the expansion of our existing industry.

A program to accomplish these objectives warrants a maximum effort on behalf of the Governor, General Assembly and the citizens of the State.

The Committee feels that the recommendations as contained in the body of the report, which will be briefly recapitulated here, will assist in the beginning of a new and vigorous industrial development effort. The Committee's recommendations can be summarized in the various categories as follows:

A. The Governor

The Committee recommends:

- (1) That the Governor carry out his announced intention of assuming personal leadership in the program of attracting industry into our State and that he, along with his Staff, enlist the aid of South Carolina businessmen and industrialists in furthering this program; and
- (2) That the Governor, along with the Development Board, encourage an expanded and coordinated advertising program from private groups seeking to develop our State.

B. The Development Board

The Committee recommends:

- (1) That the Development Board be reorganized to permit the appointment by the Governor of one representative from each Judicial Circuit plus a Chairman to be designated at large; and
- (2) That the present Staff of the Development Board be expanded to include additional industrial engineers, a liaison division to work

with local development groups, a division of internal development to aid existing agriculture and industry.

C. The Local Level

The Committee recommends that the local communities interested in industrial development prepare themselves for industry:

- (1) By the creation of planning boards with zoning authority;
- (2) By the equalization of property tax values in order that industry will not pay a disproportionate share of the tax burden; and
- (3) By improving community facilities, including basic utilities, and cultural, recreational and educational facilities.

D. The General Assembly

We recommend that the General Assembly:

- (1) Immediately enact legislation authorizing the expansion of the membership of the Development Board;
- (2) Appropriate the additional sum of \$100,000 to defray the estimated cost of the expanded industrial development program;
- (3) Authorize the establishment of non-profit corporations designed to facilitate the financing of new industrial buildings;
- (4) That the problem of uniform property assessments be studied on a statewide basis and that a workable solution or system be recommended for use in the individual counties;
- (5) That vocational education be encouraged;
- (6) That a research program be started in both economic and technical-scientific fields;
- (7) That a proper statement of legislative policy toward the industrial development program be adopted; and
- (8) That this Committee be continued with the specific task of making recommendations concerning the establishment of a proper research program and the consideration of additional methods of providing capital for industrial expansion.

The Committee recognizes that this report and the recommendations being made cannot alone bring industry and prosperity to our State. We are completely convinced, however, from this study that South Carolina, its geography and climate, its government, its hard-working, homogeneous population, all combine together to offer unusual advantages to industry.

The challenging task before us all today is to capitalize on the opportunity to obtain new wealth for our citizens. Working together, the Committee is confident that the job can and will be done.

Respectfully submitted,

Senate Members:

JOHN C. WEST, *Chairman*,

MARSHALL J. PARKER,

WILLIAM C. GOLDBERG,

House Members:

ROBERT E. MCNAIR, *Vice-Chairman*,

BARNEY DUSENBURY, *Secretary*,

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